

REPORT OF THE
OFFICE OF THE AUDITOR GENERAL
TO THE
JOINT LEGISLATIVE AUDIT COMMITTEE

920.1

REVIEW OF THE DEPARTMENT OF EDUCATION'S
ADMINISTRATION OF THE CHILD CARE FOOD PROGRAM

MARCH 1980



California Legislature

Joint Legislative Audit Committee

GOVERNMENT CODE SECTION 10500 et al

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The Honorable Speaker of the Assembly
The Honorable President pro Tempore of the Senate
The Honorable Members of the Senate and the
Assembly of the Legislature of California

Members of the Legislature:

Your Joint Legislative Audit Committee respectfully submits the Auditor General's report on the Department of Education's Administration of the Child Care Food Program.

The report finds that the Department of Education's administration of the Child Care Food Program has resulted in extensive delays in processing program applications and change requests and has directed minimal effort toward program outreach. As a result, children eligible for the program are not being served. Additionally, the report notes that the department has not provided sponsors sufficient technical assistance or policy guidelines.

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Respectfully submitted,

S. FLOYD MORI
Chairman, Joint Legislative
Audit Committee

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SUMMARY

The Child Care Food Program (CCFP) is a nutrition program which provides federal reimbursement for meals served to children enrolled in day care facilities. This program is administered through the State Department of Education's Office of Child Nutrition Services (OCNS). This office administers the CCFP in conjunction with six other child nutrition programs. OCNS estimates that it will disburse over \$17 million to program sponsors in fiscal year 1979-80.

We found that the Office of Child Nutrition Services' administration of the CCFP has resulted in extensive delays in processing program applications and change requests. Additionally, this office has directed minimal effort toward program outreach. As a result of processing delays and limited outreach, children eligible for the CCFP are not being served. It is estimated that at least 136,600 eligible children in California are not participating in this program.

Our review also indicated that OCNS has not provided sponsors sufficient technical assistance or policy and guidance materials. Consequently, sponsors have misinterpreted program policy and have had difficulty complying with program requirements. Reimbursements have been delayed, claims have

been rejected, and policy has been inconsistently applied. These administrative problems have been costly for sponsors of the Child Care Food Program and have discouraged potential sponsors from applying for the program.

Although the Office of Child Nutrition Services has initiated actions which will alleviate some of these problems, we recommend that the Department of Education

- Eliminate the backlog of applications and change requests for the CCFP;
- Simplify and publicize procedures for processing these forms;
- Provide adequate technical assistance to sponsors;
- Develop an outreach plan to implement new federal regulations and to ensure that eligible children participate in the CCFP.

We further recommend that the department develop and disseminate a policy manual providing routine technical assistance to CCFP sponsors. Also, the department should provide adequate on-site assistance to sponsors and providers.

INTRODUCTION

In response to a request by the Joint Legislative Audit Committee, we have reviewed the State Department of Education's administration of child food and nutrition programs. This report, the first of two, examines the department's administration of the Child Care Food Program (CCFP). The second report will address school nutrition programs. This review was conducted under the authority vested in the Auditor General under Section 10527 of the Government Code.

Background

In 1968, Congress adopted a limited nutrition program for children in day care facilities serving low-income families. In 1975, the Child Care Food Program was adopted which extended the nutrition program to all qualifying day care centers and family day care homes. This program provides reimbursement for breakfasts, lunches, dinners, and snacks served to children enrolled in day care facilities. The meals must meet the program's nutritional standards.

Any licensed, nonresidential, nonprofit day care facility may be eligible to participate in the CCFP. Additionally, family day care homes, which are not tax exempt, may participate if represented by a nonprofit sponsor.

Approved sponsors agree to accept administrative and financial responsibility for the child care centers and the family day care homes they represent. The sponsor receives the CCFP reimbursement and is responsible for distributing these funds among the day care providers.

The United States Department of Agriculture (USDA) provides funds for program operation and state administrative expense to the state agency administering the CCFP. The state agency agrees to administer the program in accordance with federal CCFP regulations. The state agency may establish additional program requirements provided such requirements do not conflict with federal regulations. USDA monitors the state agency to assure compliance with federal regulations and with the intent of the CCFP.

In California, the CCFP is administered through the State Department of Education's Office of Child Nutrition Services (OCNS). OCNS administers the CCFP in conjunction with six other child nutrition programs. The goals of OCNS are to provide technical and administrative leadership for these programs, to assure that all needy children are being served and, ultimately, to extend the programs to every qualifying institution. In July 1979, the Office of Child Nutrition Services, the Office of Child Development (OCD), and the Office of Surplus Property were reorganized under the Division of Child Development and Nutrition Services.

At the same time, the Office of Child Nutrition Services was reorganized based on a management analysis of the changing number of program sponsors and revised USDA regulations. OCNS is now divided into four functional units--Administrative Services, Nutrition Education and Training, Field Services and Program Services. The Office of Field Services (OFS) and the Office of Program Services deal directly with CCFP sponsors. The Office of Program Services is responsible for interpreting regulations and developing bureau policies, and the Office of Field Services monitors sponsors and provides technical assistance to assure compliance with program regulations.

The Child Care Food Program unit is located within the Office of Program Services. The CCFP unit is currently staffed by a program representative and four analysts. The specific duties of this unit include: approving new sponsor applications and renewing existing applications, conducting outreach, providing in-house and sponsor training, and developing written policy for sponsors.

The program has been operating under 1976 federal regulations, which have become outdated due to changes in the program, such as increased participation of family day care homes. Considering these changes, Congress passed Public Law 95-627 in November of 1978. As a result, new regulations were issued by the United States Department of Agriculture on

January 22, 1980. The regulations will require the department to significantly increase services to sponsors. These regulations are to be implemented by May 1, 1980.

Program Funding

The Office of Child Nutrition Services estimates that it will receive over \$17 million to disburse to sponsors of the Child Care Food Program in fiscal year 1979-80. Local assistance comes from four major sources.

- Federal Local Assistance--Reimbursement is provided for meals and snacks (breakfast, lunch, supper, morning and afternoon snacks) served to enrolled children under the age of 19. The rate of reimbursement is based on the family income of the child being served. While all meals served are reimbursed at a base rate, those served to needy children may qualify for higher reimbursement rates.
- Cash in Lieu of Commodities--Instead of receiving federal surplus commodities (basic food items) for use in meals, CCFP participants receive a cash subsidy for each lunch and supper served in the program. Under the new federal regulations, CCFP sponsors may elect to receive either surplus commodities or cash in lieu of commodities.

- Food Service Equipment Assistance (FSEA)--FSEA is a federal grant administered by OCNS. Participants in the CCFP may apply for FSEA to purchase equipment for use in storing, transporting, preparing, or serving food.
- State Meal Compensation--In addition to the federal funds, Senate Bill 2020 (Chapter 1487, Statutes of 1974) and Senate Bill 120 (Chapter 1277, Statutes of 1975) provide reimbursement for each breakfast and lunch served in the CCFP.

The federal local assistance and state meal compensation subsidies are open-ended, that is, all eligible participants who apply are entitled to receive the subsidies. Furthermore, the subsidies have built-in inflation factors.

Federal funding for the State's administration of the program is determined by applying a graduated percentage formula (at least two and one-half percent) to the total program funds of two years ago. In addition to state administrative expense (SAE) funds, the State receives federal funds specifically designated for conducting audits of participating institutions. The estimated funding to California for fiscal year 1979-80 is presented below.

PROJECTED CHILD CARE FOOD PROGRAM FUNDS
FOR FISCAL YEAR 1979-80

	<u>Federal</u>	<u>State</u>	<u>Total</u>
<u>State Administrative Funds</u>			
State Administrative Expense	\$ 340,000		\$ 340,000
Audits	190,000		190,000
<u>Local Assistance</u>			
Federal Local Assistance	14,420,000		14,420,000
Cash in Lieu of Commodities	1,270,000		1,270,000
Food Service Equipment Assistance	490,000		490,000
State Meal Compensation	<u> </u>	<u>1,160,000</u>	<u>1,160,000</u>
Totals	<u>\$16,710,000</u>	<u>\$1,160,000</u>	<u>\$17,870,000</u>

Scope and Methodology

We selected a sample of 30 sponsors from the 479 sponsors participating in the Child Care Food Program. Our sample represented 97 child care centers and 571 family day care homes serving 8,495 children. The sponsors were located in 11 counties, which represent a cross-section of California.

Our review of the Office of Child Nutrition Services' administration of the Child Care Food Program included interviews with responsible department staff and program sponsors and providers. We visited sponsors and providers in child care centers, family day care homes, migrant day care

centers, recreation centers, and day care centers for the developmentally disabled. Additionally, we visited sponsors and providers who were either participating in the program, awaiting approval to participate, or who had been terminated from the program. We also contacted officials from the United States Department of Agriculture.

During our review, we also analyzed department application and reimbursement procedures and reviewed pertinent federal regulations, state plans, and fiscal data and reports. We compared OCNS activities against the goals outlined in the department's 1978-79 and 1979-80 state plans. Our audit covered the period October 1978 through December 1979.

AUDIT RESULTS

PROCESSING DELAYS AND LACK OF OUTREACH HAVE LIMITED PROGRAM PARTICIPATION AND RECEIPT OF FEDERAL FUNDING

Although the goal of the Child Care Food Program is to extend the program to every needy child, the Office of Child Nutrition Services' administration of the program has limited participation. Delays in processing applications and change requests have kept eligible children from participating in the program. Additionally, OCNS has conducted few of the outreach activities outlined in the state plan to increase participation. It is estimated that at least 136,600 eligible children in California are not participating in this program.

This lack of full participation not only limits services to eligible children but also results in a failure to maximize federal dollars available for services to children because the CCFP is reimbursed on a participation basis. The monies available to the State for program administration are also affected since funds for state administrative expenses are calculated based upon prior participation.

Program Requirements

Federal regulations require that the state agency administering the Child Care Food Program develop a state plan which "ensures that nutritious meals are provided to every needy child and extends the program to every child care center and family and group day care home in the State, giving priority to those with a concentration of needy children."* The Department of Education's state plan for fiscal year 1979-80 states that the OCNS goal is "to assure that child nutrition programs have been extended to include all needy children within the State, as mandated by law, and to promote the inclusion of all children in available nutrition programs."

To implement these objectives, OCNS contracts with sponsor agencies to provide meals to children. These sponsors may be individual child care centers, schools, or recreational centers or they may be sponsors which perform administrative services for a group of child care providers, such as operators of family day care homes. The sponsors may provide the meals themselves or may, in turn, contract with the child care providers who will furnish meals to the children. Meals must meet specific nutritional requirements, and sponsors and providers must keep detailed records of meals served, child attendance, parent income, and other information. Reimbursement is made only when all CCFP requirements have been fulfilled.

* Section 226.7 of Federal Register 26179, dated June 25, 1976 (41 F.R. 26179).

Application and Change
Request Processing Delays

Federal regulations are very specific regarding CCFP application procedures. Before being approved for participation in the program, prospective sponsors must submit detailed application forms. OCNS has also required sponsors to submit a change request whenever a change to the original application is made. A change could reflect, for example, an increase or decrease in program enrollment or a change of address. OCNS cannot reimburse new sponsors or increase reimbursement for continuing sponsors until applications and change requests have been approved. Applications from continuing sponsors and most change requests may be approved for retroactive reimbursement if the sponsor has met program requirements in the interim; however, new sponsors may be reimbursed only from the date their application is approved in writing.

As of November 30, 1979, 76 applications and 257 change requests were pending review at OCNS. Of these, 43 applications and 11 change requests were being held until corrected or completed by the sponsor. OCNS had received some applications from new sponsors as early as October 1978; likewise, it had received some of the change requests in March of 1979. Eleven of the 30 sponsors we visited had change requests pending. These requests would add a total of 218 new

sites and 1,824 children to the CCFP. From June 1 to November 30 of 1979, OCNS had processed only two change requests.

The United States Department of Agriculture (USDA) has expressed concern over the backlog of applications and change requests in its management evaluations of the CCFP. In August of 1979, OCNS officials assured the USDA that the backlog would be eliminated by September 30, 1979. In August, we were told that this would be done by October. But in November, the backlog still had not been processed, and USDA requested that OCNS commit itself to resolving the issue by December 30, 1979.

In response, as of December 10, 1979, OCNS temporarily assigned the five CCFP staff members to work exclusively on eliminating the backlog. Temporary professional and clerical assistance was also provided to the CCFP unit. As of December 31, 1979, the application backlog had been reduced from 76 to 64. The backlog of change requests had been reduced from 257 to 61. However, the backlog of change requests was reduced in part because OCNS returned many of the change requests to the sponsors. Based on our review of the pending change requests, we estimate 38 percent of the change requests could have been returned to sponsors rather than processed by OCNS because (1) new procedures allow the sponsor to make the change directly on the claim or (2) the request needed additional information.

Effects of Processing Delays

Because of the delays in processing applications and change requests, eligible children are not participating in the CCFP. We contacted four new sponsors whose applications were pending review. These applications were submitted in August and September of 1979, yet had not been approved by December 31, 1979. The four applications affected 260 children, and since they were for new sponsors, would not qualify for retroactive reimbursement. One of these sponsors, which enrolled 80 children, had applied for funding for a daily supper and snack but refused to serve any meals until the application was approved for participation in the CCFP. Another of these sponsors which enrolled 100 children did not serve lunch until December 3, 1979. Since then the sponsor has purchased vended meals at a cost of \$1 per lunch and has paid for the meals out of Office of Child Development funds.

We examined 20 of 61 new sponsor applications pending review on November 30, 1979. Had these 20 applications been approved within 45 days of receipt, which is the standard developed by OCNS staff, the estimated amount of funding available for services to the 1,161 children affected would have been approximately \$157,000 by December 31, 1979.

Delays in processing change requests also limit the number of children participating in the program. One change request pending review at OCNS since September of 1979 affects 737 children, all from low-income families. The sponsor told us that since September 1, 1979 the children have not been served hot meals at the center. The sponsor has been able to serve the children only crackers, and these have been provided from funds intended for general supplies.

Another sponsor serving 76 family day care homes submitted four change requests between April and October 1979 to add 35 new sites enrolling 227 children. These requests were not approved until December 27, 1979. In the meantime, 29 of this sponsor's providers, serving 150 children, had withdrawn from the CCFP. Consequently, the sponsor was concerned about the declining participation level and was anxious to add the new homes as replacement sites. This sponsor stated that processing delays resulted in providers losing interest in the program.

Even when sites are eligible for retroactive reimbursement, processing delays cause extensive problems. Sponsors and providers must have complied with all meal and record-keeping requirements of the program during the period for which they expect retroactive reimbursement. However, some providers cannot afford to serve all the types of food required

by program regulations unless they receive more timely reimbursement. Others are unwilling to comply with the detailed record-keeping requirements until they receive payment. Some child care sponsors and providers told us they would not apply for the CCFP simply because of the problems they know others have experienced with the program.

Another effect of delayed reimbursements is that sponsors are forced to use money from other sources to cover program costs until they are reimbursed. For example, because of OCNS administrative delays, one of the sponsors in our sample was not reimbursed until October of 1979 for the period from January through August 1979. This sponsor as well as 2 others of the 30 sponsors in our sample told us they had to obtain commercial bank loans to cover CCFP costs until reimbursed. Other sponsors reported that they used money from other sources to temporarily cover CCFP costs. For example, some sponsors reported that they used funds from SDE's Office of Child Development or the Department of Health, Education, and Welfare.

Causes of Processing Delays

These delays in processing applications and change requests are caused by time-consuming review and control procedures, lack of technical assistance, and limited staffing in the Child Care Food Program unit.

Extensive Review Procedures

When processing applications, OCNS has conducted a thorough review requiring substantial documentation from sponsors and providers. While these procedures provide control mechanisms, they are time consuming for program staff, sponsors, and providers. USDA has recommended that OCNS streamline its application review because of the resulting delays. Members of the OCNS staff have acknowledged that the review procedures have contributed to the delays; however, they maintain that these reviews were necessary in 1979 to allow for a new simplified renewal process. In October of 1979, OCNS implemented a policy which allows continuing sponsors to annually submit a one-page renewal form rather than the detailed application. CCFP staff contend that this will greatly reduce application processing time. As of December 31, 1979, CCFP staff had processed 88 of the 93 renewal forms received.

Review procedures have affected the backlog of change requests because OCNS has required sponsors to submit detailed change requests for any change affecting the original application. USDA has repeatedly recommended that OCNS relax its policy and review procedures regarding change requests. We were told in mid-December of 1979 that OCNS had implemented three of the changes USDA had recommended. The new policies allow sponsors to make certain changes directly on the claims without submitting a change request. In reviewing a sample of

162 change requests submitted from November 1978 through October 1979, we found that 38 percent of the requests dealt with changes that would not require processing under the new procedures.

As of February 1, 1980, however, sponsors and providers had not been systematically notified of these new procedures. By not thoroughly publicizing these procedural changes, OCNS limits the effectiveness of the new procedures. If sponsors are not aware that they do not have to submit change requests, they will continue to submit the requests and CCFP staff will continue to review them.

Lack of Technical Assistance

The lack of technical assistance provided to sponsors has also caused delays. Because sponsors have not received sufficient information and assistance, most of the applications they submit to OCNS are incorrect or incomplete. OCNS had to request each of the 30 sponsors in our sample to supply additional information for their applications. When this happens, OCNS must return the application to the sponsor or hold it until the additional information is submitted. In some instances, the application is returned to the sponsor several times.

These procedures cause the longest processing delays. OCNS officials have stated that processing time should average 45 days. We found that, because of administrative procedures at OCNS and the need to return applications to sponsors, processing time averaged 104 days. The new federal Child Care Food Program regulations will require a 30-day time frame for processing applications. Additionally, when an incomplete application is submitted by an institution, the new regulations require the state agency to notify the institution within 15 days of receipt of the application and to assist the institution, if necessary, in completing the application.

Staffing

According to OCNS management, a major reason for the processing delays and resulting backlog is lack of staff. The CCFP unit is currently assigned a program representative and four analyst positions. All clerical support is supplied by the Administrative Services unit of OCNS. In a management evaluation dated November 30, 1979, USDA stated that, with the exception of clerical staff, the CCFP unit is adequately staffed for the level of program participation. However, permanent assignment of clerical staff would improve processing time.

Specifically, clerical staff could assist the unit by notifying new sponsors of their acceptance and by performing an initial review of applications. During our review, we noted that sponsors whose change requests were approved in October of 1979 had not been notified as of November 30 because no one was available to type the approvals. Additionally, new change request and application review procedures allow clerical staff to complete the initial review. Assignment of clerical staff would also relieve the professional staff to attend to its assigned responsibilities, such as providing technical assistance to sponsors. CCFP professional staff estimate that they are presently spending 20 to 30 percent of their time performing clerical duties.

The issue of staffing has become even more critical in light of the increased responsibilities the new federal regulations will require of the department.

Lack of Outreach

Aside from processing delays, another factor that has excluded eligible children from participating in the Child Care Food Program is limited outreach by OCNS. The Department of Education's state plan for 1978-79 reported that there were approximately 132,500 children in child care facilities not participating in the CCFP. The 1979-80 state plan increased

that estimate to 136,600. Our review indicated that these are conservative estimates; state plan figures for outreach do not include Department of Social Services family day care home licensees from several large counties, including Los Angeles and San Francisco.

The goal of the 1978-79 state plan was to increase participation in the CCFP by 214 sponsors. The 1979-80 state plan goal is to increase participation by 649 sites.* Since the start of fiscal year 1978-79, participation has actually increased by 78 sponsors and 8,216 children, but has decreased by 75 sites.

The 1978-79 state plan further stated that the Office of Child Nutrition Services would develop outreach materials, including visual aids, training materials, descriptive pamphlets, and brochures by March 1979. Furthermore, by March 1979, the CCFP staff were to identify and begin contacting potential sponsors. The 1979-80 state plan again lists these activities as program goals and details an allocation of \$50,000 to be used to produce CCFP outreach materials. To date, no outreach materials have been developed and potential sponsors have not been contacted. Of the 30 sponsors in our sample, only one learned of the program directly through CCFP

*The 1978-79 state plan projects outreach by number of sponsors only; the 1979-80 plan projects outreach by number of sites only.

outreach efforts. The CCFP staff members have, however, begun to identify potential sponsors. For instance, CCFP staff are in the process of targeting especially needy areas of the State in which to expand outreach activities. Further, the department has entered into an interagency agreement to develop appropriate outreach materials.

The most critical effect of not conducting outreach activities is that children eligible for the CCFP are not being served. At the same time, by not increasing participation, OCNS is failing to maximize receipt of available federal funds. We computed the average annual reimbursement per child to be \$223.10. Using the 1979-80 state plan figures on unmet need, meals for 136,600 children could have been funded by federal monies at a level of approximately \$30,475,500.

Since the funds for state administrative expense (SAE) are based on a percentage of the prior years' reimbursement, SAE funds are also affected. The percentage reimbursement for SAE averages two and one-half percent of the total reimbursement two years prior. Again, using the state plan estimate of unmet need for fiscal year 1979-80, OCNS reduced potential SAE funds in fiscal year 1981-82 by approximately \$762,000 by failing to maximize participation.

According to OCNS officials, outreach activities have not been emphasized because CCFP staff have been restricted by other duties, including reviewing applications, processing the growing backlog, and administering the program. Program administration is time-consuming because neither staff nor sponsors has sufficient guidelines or policy materials to aid them. CCFP staff spend a major portion of their time responding to sponsors' requests for routine information or resolving technical problems which result from sponsors' lack of information. CCFP staff estimate that they spend approximately 30 percent of their time responding to requests for technical assistance and information. Many of these requests would be unnecessary if sponsors were provided an adequate policy manual.

CCFP staff are also frequently required to perform clerical tasks since the unit is not assigned any direct support staff. Assignment of clerical personnel would relieve the program staff to conduct more outreach activities. Additionally, clerical staff could respond to some of the sponsors' requests for assistance. OCNS officials have stated that because of staffing limitations and the problems relating to the current level of program participation, they have been hesitant to make outreach a high priority.

However, the Division of Child Development and Nutrition Services is acting to increase the effectiveness of outreach efforts by developing a computer file and by attempting to coordinate OCNS and Office of Child Development activities. The division is establishing a central computer file for all agencies participating in programs administered by OCNS, the Office of Child Development, and the Office of Surplus Property. Department of Education officials have stated that by April of 1980, each participating agency should be assigned a numerical code which will be a reference for all programs. The computer file will eventually include (1) a listing of programs in which each agency participates, (2) a record of funding which the agency has received from each program, (3) the status of audits and accounts receivable, and (4) a record of program compliance aspects, such as technical assistance visits. The division is currently planning workshops on outreach which will be jointly conducted by staff from the Office of Child Development and the Office of Child Nutrition Services. The division is also trying to align the geographical regions of these two offices. When these regions are aligned and the central computer file is operational, the division may be better able to coordinate OCNS and OCD outreach and technical assistance responsibilities.

Moreover, the new federal regulations will require state agencies to intensify program outreach efforts. Specifically, the regulations will require the department to annually notify each nonparticipating child care facility of the availability of the Child Care Food Program, the requirements for participation in the program, the availability of food service equipment funds, and application procedures. The regulations require that the mailing for this year's outreach be completed by May 1, 1980.

CONCLUSION

The Office of Child Nutrition Services' administration of the Child Care Food Program has caused extensive delays in processing program applications and change requests. Additionally, this office has conducted few of the program outreach activities specified in the 1978-79 or 1979-80 state plans. Because of processing delays and the lack of outreach, children eligible for the Child Care Food Program are not being served. Further, OCNS is not maximizing receipt of available federal funds.

OCNS is, however, increasing its efforts to resolve these problems. The CCFP unit has implemented new application and change request review procedures which should reduce processing time and should allow staff to attend to other program responsibilities.

The new federal regulations, however, will significantly increase OCNS' responsibilities. These regulations are to be implemented by May 1, 1980.

RECOMMENDATION

Application and Change Request Procedures

We recommend that the Department of Education

- Immediately eliminate the backlog of applications and change requests for the Child Care Food Program.
- Immediately announce to sponsors new procedures regarding change requests.
- Simplify the application and change request review procedures, in accordance with USDA recommendations.
- Provide adequate technical assistance to current and potential sponsors to forestall problems with incorrect and incomplete applications and change requests.
- Assure sufficient clerical support to the CCFP unit.

Outreach Efforts

We recommend that the Department of Education

- Immediately develop an outreach plan to implement the new federal regulations and ensure maximum participation in the CCFP.
- Work with state and county child care licensing agencies to assure that all applicants for child care centers and family day care homes receive information on current sponsors and their locations.
- Submit a plan to the Legislature detailing actions to be taken to comply with the new federal CCFP regulations. Also, identify specific staffing and other resources needed to implement these regulations.

TECHNICAL ASSISTANCE AND WRITTEN
POLICY PROVIDED BY OCNS ARE
INSUFFICIENT TO MEET SPONSOR NEEDS

The Office of Child Nutrition Services is not meeting its administrative responsibilities to CCFP sponsors because it has not furnished them technical assistance or written policy sufficient to meet their needs. Additionally, there has been a lack of coordination between the CCFP unit and the Office of Field Services. As a result, sponsors have misinterpreted CCFP policy and have had difficulty complying with program requirements. The lack of assistance and information has also contributed to inconsistent application of CCFP policy and to the backlog of applications and change requests previously discussed.

Sponsors and providers of the Child Care Food Program must comply with extensive and complicated federal regulations. Additionally, they must maintain detailed accounting and reporting systems. Because their expertise is generally not administrative, these sponsors and providers need technical assistance, written policy and guidelines, and monitoring to comply with CCFP regulations.

Federal regulations require that each state agency, where applicable, shall provide consultative, technical, and managerial personnel to administer the CCFP, to monitor performance, and to measure progress in achieving program goals.

Also, an objective of the Department of Education's state plan is to ensure that program sponsors understand and comply with program regulations.

Lack of Technical Assistance

According to the 1978-79 and 1979-80 state plans OCNS will provide assistance to CCFP sponsors to assure that sponsors understand and comply with program regulations and are able to manage their participation in the program. According to both state plans, OCNS will provide (1) workshops on application procedures, nutrition and record-keeping requirements, and training and monitoring of CCFP providers; (2) technical assistance and on-site visits to ensure that sponsors understand application and claims procedures and nutrition and record-keeping requirements; and (3) necessary resource materials and guidelines, including record-keeping procedures and audit guidelines. To date, OCNS has provided only limited assistance in each of these areas.

The CCFP unit did not conduct any formal workshops for sponsors between July of 1979, and the end of our audit, December 31, 1979. However, in August and December of 1979, CCFP staff met with two small groups of sponsors to discuss proposed procedural changes. Workshops had been scheduled for September and October of 1979 and for January of 1980 but were cancelled or postponed each time. The workshops have been

rescheduled several times, most recently for February of 1980. In fiscal year 1978-79, the CCFP unit conducted 20 workshops for CCFP sponsors throughout the State, but 15 of these workshops addressed outreach and application procedures only.

Seven of the 30 sponsors we contacted said that these workshops did not meet their needs. Some sponsors who had previously participated in the program stated that it was unnecessary for them to attend workshops which focused on outreach and application procedures. They said they needed more help with specific problems of program maintenance. Department of Education audits conducted in 1979 have shown that continuing sponsors are having problems with claims, nutritional requirements, and accounting systems. CCFP staff have, however, recently proposed to change the workshop format to a two-day schedule; one day would be for new and potential sponsors, and the other day would be for continuing sponsors.

In addition to conducting limited training for sponsors, OCNS has also failed to provide sponsors sufficient technical assistance or on-site monitoring to adequately manage their programs. Nine of the 30 sponsors in our survey had never been monitored by OCNS staff, and only 17 sponsors knew the name of their regional consultant. OCNS staff, however, stated that from January through December 1979 they had made on-site visits to 263 of 479 participating CCFP sponsors.

Neither has OCNS fulfilled its responsibility to provide resource materials or guidelines. Eight of the 30 sponsors told us they had recently received CCFP audit guidelines; however, three of these sponsors had been audited before they received the guidelines.

Had OCNS provided sufficient technical assistance, sponsors could have more effectively managed their programs. That the sponsors need assistance is evident in the number of incorrect and incomplete applications, change requests, and claims which sponsors submit to the program. CCFP staff reported that only 1 of 503 sponsor applications received during 1979 was completed correctly.

Besides contributing to the processing delays discussed earlier, the lack of adequate assistance causes sponsors to misinterpret meal and other program requirements. In turn, this causes delayed reimbursements or rejected claims and creates additional administrative problems for sponsors. One sponsor we visited, for instance, misinterpreted policy concerning reimbursements. The sponsor based the claims on the total number of meals served to eligible children rather than on the total number of meals served to eligible children at individual sites. As a result, the sponsor had to revise all CCFP claims for the period from September 1978 through August 1979. The sponsor told us that the time spent revising these claims reduced the time available for other responsibilities and increased administrative expenses.

Additionally, the sponsors are liable for any overpayments resulting from errors on their claims or insufficient documentation supporting their claims. Six of the 30 sponsors in our sample have recently been audited by the Department of Education. Four of these six sponsors had audit exceptions ranging from \$1,400 to \$5,100. According to OCNS officials, the department intends to pursue collection of these monies. Sponsors expressed concern about being held accountable for errors since they felt they had complied with program requirements in good faith. Sponsors believed that their error rate would have been lower had they received sufficient technical assistance. Some sponsors also stated that if they were to be held liable for future repayments, they would drop out of the CCFP immediately because they could not afford to operate under such an administrative risk.

Lack of Policy Dissemination

The Office of Child Nutrition Services has not provided sponsors a written manual describing CCFP policy. Presently, CCFP policy is conveyed to sponsors through (1) periodically released bulletins, (2) claim and application instructions, and (3) recently released audit guidelines. Policy directives are also communicated through personal contact and workshops. Our survey of sponsors indicates, however, that these methods are insufficient for sponsors' needs.

In November of 1977, representatives from the U. S. Department of Agriculture, sponsors, and advocates expressed concern over the lack of a CCFP policy manual. To date, such a document has not been disseminated. In a management evaluation dated November 30, 1979 the USDA stated

Program sponsors need a source of clear and consistent information on program requirements. To provide this service, a policy manual, or sponsor handbook, detailing program requirements should be developed and issued this year....In addition it is necessary that existing policy materials be reviewed for consistency.

The lack of a written, thoroughly disseminated policy results in inconsistent application of policy and confusion among sponsors. For example, the CCFP will reimburse sponsors for increases made on approved change requests retroactive to the date OCNS received the request. Although this is written policy, it was not adequately publicized, and sponsors received conflicting information. Some of the sponsors we visited were advised to submit change requests even if they had other change requests or an application still pending at OCNS. They were told to document program compliance so they could be retroactively reimbursed. On the other hand, OCNS staff informed some other sponsors in our survey not to submit change requests until after their application or any prior change request had been approved. These sponsors were told that submitting additional change requests would delay the processing of their original application or change requests.

Consequently, some sponsors did not submit change requests as soon as they could have, and therefore, lost the reimbursement. One sponsor, unaware of the retroactive reimbursement policy, placed 37 sites on a waiting list rather than submit a change request to add them. CCFP staff had told this individual that submitting a change request might delay approval of the original application. Consequently, 37 sites serving 296 children will not be entitled to retroactive reimbursement for the time they have been on the sponsor's waiting list.

Since new policies are also sometimes announced at workshops or sponsor meetings instead of being systematically disseminated, only those sponsors present are aware of the policy. At two recent meetings of about 40 sponsors, CCFP staff announced that sponsors would now be allowed to make certain changes directly on their claims without submitting change requests. The changes would be effective immediately and reimbursement would be adjusted accordingly. The sponsors attending the meetings were able to take advantage of the new procedures. But sponsors who were not present were still submitting change requests and waiting until the requests had been processed to receive reimbursement.

Aside from the confusion and inequities this creates for sponsors, the lack of authoritative and available information also contributes to errors on sponsor claims, applications and change requests. Again, this lack of information not only causes delayed or denied reimbursement, but also contributes to sponsors' dissatisfaction with the program.

CCFP staff had begun working on a policy manual for sponsors. However, since December 10, 1979, attention has been focused on eliminating the backlog of applications and change requests. Management staff of OCNS had told us the complete manual would be released to sponsors by September of 1980, but since the new federal regulations will require increased staff effort in other areas, even this date may be unrealistic. OCNS management also told us that one of the reasons they had not emphasized development of a policy manual was that they were waiting to incorporate the new federal regulations. Although Legislation affecting the CCFP was enacted in November 1978, USDA did not issue new regulations until January 22, 1980. The new federal regulations specify, however, that sponsors must be informed of their responsibilities in writing by May 1, 1980.

Until a manual is issued, policy information will continue to be released periodically within department bulletins. OCNS has also contracted with the State Personnel Development Center to develop and publish written materials for sponsors.

Lack of Coordination

OCNS has also failed to clarify CCFP policy for the Office of Field Services and to coordinate site visits between CCFP and OFS staff. As discussed in the Introduction, the Office of Program Services, which contains the CCFP unit, is responsible for developing and disseminating policy, approving applications, conducting outreach, and providing internal and sponsor training. The Office of Field Services is responsible for providing technical assistance and workshops to sponsors and for monitoring compliance with program requirements. This office provides these services for sponsors of each of the department's child nutrition programs. The Office of Field Services was created in the July 1979 reorganization, but according to the chief of the OFS, the office was not operational until September 1979.

Regional managers of the Office of Field Services told us that communication between the two offices has been unclear regarding CCFP policy and site visits. For example, staff of the Office of Field Services have not been provided a CCFP policy manual, although they have manuals for the other programs they review. The regional managers told us that they often do not learn of CCFP policy until some time after it has been adopted. The new change request review procedures provide an example. Although these procedures were effective in early December, they were only announced to OFS staff in draft form on December 28, 1979. They were formally announced to OFS staff at a meeting on January 17, 1980.

Because OFS staff are not provided up-to-date information on CCFP policy, they cannot effectively monitor sponsors or provide them technical assistance. Moreover, their credibility with sponsors is also affected. Program sponsors told us that when they requested information from OFS staff, the responses they received differed or even conflicted. The sponsors also stated that they were often referred to several staff members before their questions were answered. Four of the sponsors we visited told us the information they received from their field consultants was so unreliable that they now deal with OCNS management, CCFP staff, or with representatives from USDA or child advocacy groups.

There is also little coordination of site visits between the Office of Field Services' staff and program staff. A regional manager of the Office of Field Services told us that they are not apprised of either the time or the results of site visits made by CCFP staff. CCFP staff had reviewed one of the sponsors in our sample and, according to the sponsor, had identified major problems. Yet when we reviewed the sponsor's file in the OFS regional office, it contained only the original application. The regional manager was unaware that this sponsor was having problems.

CCFP staff reported that coordination was poorest regarding the scheduling of site visits. CCFP staff indicated that their requests to OFS to conduct site reviews of particular sponsors are given low priority. OCNS has not developed a standard time period during which OFS should respond to requests for reviews but program staff have stated that their requests are not answered promptly.

By not coordinating the scheduling or results of site visits, the two offices do not take advantage of the ability of the Office of Field Services to deal locally with sponsor problems. Staff of OFS attributed the lack of coordination in this area to the shortage of clerical staff who would normally handle the correspondence between the two offices.

CONCLUSION

By not providing adequate technical assistance or policy and guidance materials, the Office of Child Nutrition Services has not sufficiently met its administrative responsibilities to sponsors. As a result, sponsors have been unable to effectively participate in the Child Care Food Program. Reimbursements have been delayed, claims have been rejected and policy has been inconsistently applied. These administrative problems have been costly for CCFP sponsors and have discouraged potential sponsors from applying for the program.

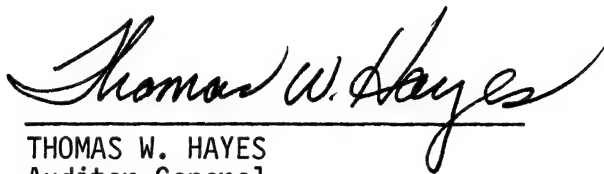
RECOMMENDATION

We recommend that the Department of Education

- Develop and disseminate a policy manual which would provide routine technical assistance to CCFP sponsors and applicants. (The department should solicit comments from sponsors in developing these policies and procedures.)
- Provide adequate on-site technical assistance to sponsors and providers, especially to new sponsors and providers and family day care home operators.

- Convene forums regularly between responsible OCNS staff, sponsors, and providers to ensure the sharing of technical expertise.
- Increase coordination between the Child Care Food Program unit and the Office of Field Services.

Respectfully submitted,


THOMAS W. HAYES
Auditor General

Date: March 6, 1980

Staff: Robert E. Christophel
Melanie M. Kee
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STATE OF CALIFORNIA
DEPARTMENT OF EDUCATION

STATE EDUCATION BUILDING, 721 CAPITOL MALL, SACRAMENTO 95814

February 20, 1980

Thomas W. Hayes
Auditor General
California Legislature
925 L Street, Suite 750
Sacramento, CA 95814

Dear Mr. Hayes:

The State Department of Education has reviewed the draft report, Review of the Department of Education's Administration of the Child Care Food Program, No. 920.1, dated February 8, 1980 and appreciates the opportunity to record this response.

Our comments will address the issues and recommendations contained in the Report. We will also identify action taken by the Department during the past year to strengthen program administration--action which is frequently minimized in the Report and, in some instances, not given adequate recognition.

The Report reinforces the goals and objectives already identified in the Department's State Plan for the CCFP. However, it does not provide the Department with new information nor does it provide recommendations for resolving the basic problem of understaffing, which is the cause of management problems. It identifies issues that the Department has already fully recognized and has been vigorously attempting to resolve.

We regret the Report does not stress the lack of numbers of additional staff as the major cause of problems; therefore, it is difficult for the Department to accept most of the recommendations as realistic.

A thorough workload analysis of the CCFP unit would have acknowledged a dedicated and able staff, insufficient in numbers, working under very difficult and demanding conditions but providing an essential professional service for the many sponsors and children participating in the Child Care Food Program.

A USDA management evaluation (November 1979) states that the Child Care Food Program in California has grown enormously in the past several years (310 sponsors in Fiscal Year (FY) 1977 to almost 500 by the end of FY 1979).

This increase, in sponsorship alone, indicates the Department's commitment to expand the Child Care Food Program. What the audit Report fails to adequately recognize is that the Department of Education has been aware of and responsive to the increased administrative needs of the program; has made extensive organizational changes within the Office of Child Nutrition Services (OCNS) to meet these needs and has implemented this reorganization effective July 1, 1979. It should be noted this audit was made early in the implementation period. Included in the reorganization is a new Field Services Section with three regional offices. These have been established to expand outreach and technical assistance capabilities, particularly for the Child Care Food Program. At the time of the audit, these organizational changes and new support systems were in place and starting to function.

Sections of the audit Report appear to reflect only field responses to negative questions posed by the audit staff; thereby resulting in conclusions which are at times made without adequate supporting information or balancing positive comments from the "field." Examples of concerns are as follows:

1. The Report identifies the need to streamline application and change request procedures in order to eliminate processing backlogs. References to this need are found on pages 11 through 19. On pages 12 and 16, the auditors acknowledge that changes have already taken place and have significantly reduced the backlog. The auditors selected two dates to report the backlog of changes and applications. It would seem appropriate to select a specific date and report the audit results as of that date.
2. The Report states (page 29), "Had OCNS provided sufficient technical assistance, sponsors could have more effectively managed their programs." Although the Department is said to be deficient in providing sufficient technical assistance, the Report fails to define or quantify "sufficient technical assistance." Furthermore, it fails to note that the Department is providing the full level of technical assistance that is possible with existing staff numbers. Additional technical assistance requires additional staff. The Report does not give the Department sufficient credit for its maximum effort.
3. The Report states (page 22), "Many of these requests (for technical assistance) would be unnecessary if sponsors were provided an adequate policy manual." The auditors failed to recognize the amount of information that has been supplied to sponsors by bulletins and newsletters. A review of state agency administration, conducted by a federal audit team at approximately this same time, reported in its exit conference that sponsors have been provided adequate and accurate information.

It is important to note that during FY 1979 additional sponsoring agencies have come into the program, more children are being served than ever before, and over \$11,000,000 has been distributed to these sponsors. Furthermore, OCNS staff has made over 290 field visits to these sponsoring agencies to monitor programs and provide technical assistance. A toll free number, installed in OCNS to further facilitate communication with sponsors, has processed an average of 120 calls per month from sponsors of the CCFP. In our judgment, this indicates effective program administration.

The Report references a U.S. Department of Agriculture management evaluation (November 1979) which stated that, with the exception of clerical staff, the CCFP unit is adequately staffed. Although the USDA report is correctly quoted, it is important to note that USDA has never analyzed the staffing needs of the CCFP in California.

During FY 78-79, the federal audit staff and the Auditor General's staff along with five additional external agencies were reviewing the program. These reviews, seven in total, required a preponderance of staff time to respond to the needs of these agencies. This seriously encroached upon the CCFP staff's availability to devote time to routine administrative responsibilities.

Our remaining comments will be provided in Section I., Program Issues Identified in Auditor General's Report, and in Section II, Recommendations Identified in Auditor General's Report, as follows:

I. *Program Issues Identified in Auditor General's Report*

The Auditor General's Report essentially identifies six program issues which are used to support the two major audit results. These issues are:

1. Processing application and change requests
2. Outreach Activities
3. Technical Assistance
4. Coordination between Field Services Section and Child Care Food Program Staff
5. Dissemination of Policy Information and Sponsors' Handbook
6. Staffing Needs

As previously stated in the introduction, each of these issues was known and of concern to the OCNS. Based upon this concern, the Office developed a reorganization plan which established a Field Services Section and an Audit Closure Unit. The creation of these new functions was to maximize the staff resources available to assist sponsors in providing technical assistance and to process individual child care food program sponsor audits in a timely manner. This reorganization went into effect July 1, 1979 and became operational during the month of September.

At the time of the Auditor General's interviews of OCNS staff and sponsor field visits, the OCNS was still in the process of defining and redefining office procedures and processes. During the fall months, OCNS continued to strengthen its reorganization plan by identifying additional areas where procedures need developing, reestablishing and balancing priorities, and reassigning staff when needed to assist in peak workload periods. The Office is still in the process of honing all its internal and external procedures to operate effectively within the new structures. The goal is to have all procedures finalized with the commencement of the 1981 State Plan.

Since OCNS was already cognizant of the issues stated in the Report, staff has been in the process of correcting each issue. Listed below, under each issue, a statement is provided indicating the actions taken to date and progress made.

1. PROCESSING APPLICATION AND CHANGE REQUESTS

During FY 78-79, the OCNS instituted a cycle application process. This process divided the total number of CCFP sponsors into three cycles throughout the year. The process required a sponsor to submit an application for the FY 78-79 year with the understanding that if program conditions remained constant, approval for FY 79-80 would be granted on a one-page renewal form.

Due to the thorough review conducted on each application, the process was time consuming but also provided OCNS with sufficient information to make appropriate decisions in the review process. In planning this cycle process, it was known that extra staff time was needed for this intensive review. Within the CCFP unit, workload assignments were made based upon this fact. Throughout FY 78-79 the priority activity was application review. However, throughout this year the CCFP staff was constantly meeting the demands of

external control agencies, such as U.S. General Accounting Office, which came to review the program. Many hours of staff time were devoted to providing assistance to these control agencies.

If the OCNS, and particularly the CCFP staff, had not been plagued with so many time-consuming demands from seven external review agencies within a year's time, the backlog would not have occurred.

As part of these reviews, the OCNS was involved in assisting the U.S. Office of Inspector General and the U.S. Department of Agriculture (USDA) in a major federal investigation which resulted in a federal trial with convictions. Several of the agencies involved in the investigation were participating in the CCFP. This investigation, which parts of are still in progress, required the gathering of many documents, responding to subpoenas and meeting with investigators and lawyers. All these activities consumed numerous hours from the CCFP staff, a significant drain on program workload.

As the Report states, the OCNS did reassign staff from other units and they along with CCFP staff exclusively devoted the entire month of December to clearing up the backlog in both applications and change requests. The Report further states that the backlog was significantly reduced.

On January 25, 1980, representatives from the U.S. Department of Agriculture while visiting the Office, confirmed the CCFP staff's success in reducing the backlog.

In order to prevent another backlog from being created, procedures in both the application and change request process have been streamlined to expedite staff review.

The Report indicated that the U.S. Department of Agriculture (USDA) recommended that the process be streamlined. However, when developing the cycle application process, the USDA was intimately involved and gave approval to the entire process. They did not indicate that some of the procedures should be streamlined. It was only after working with the system and experiencing some of the situations did the USDA begin recommending certain aspects to be revised. In April, after two cycle periods elapsed, the U.S. Department of Agriculture first offered its recommendation to streamline the process.

The whole application process was a learning experience for all parties involved - sponsors, USDA and the OCNS. It was one that built in needed controls and sound documentation, a credible process.

After a year's experience, parts of the process have been modified and sponsors are now being notified in workshops of these changes.

2. OUTREACH ACTIVITIES

For FY 78-79, the priority task for the CCFP staff was the implementation of the cycle application process and the review of those applications. This task, along with the responding to telephone calls, correspondence, other agencies' requests and the maintenance of routine work, consumed the bulk of time for the CCFP staff. Admittedly, many of the outreach activities planned in the 1978-79 State Plan were not accomplished. However, as documented by the U.S. General Accounting Office, "Summary Statement of Facts for Review of the Child Care Food Program in California," Code 023030, November 1979, several outreach activities to increase participation were conducted. These activities resulted in an increase of program participation. Therefore, the OCNS takes exception to the Auditor General's Report that outreach activities have been carried out.

Realizing the time demands with limited staff resources, the OCNS used state administrative expense funds which were appropriated late in FY 78-79 on a discretionary basis to contract with outside agencies to prepare outreach materials. The funds were encumbered and the developmental process is currently in progress.

Outreach workshops to potential CCFP sponsors were planned and scheduled for February 1980. However, in late January the long awaited CCFP new regulations were issued. These regulations require a complete redesign of the CCFP. Since the new regulations require new procedures, etc., it was senseless to instruct potential sponsors on old procedures when, in fact, they would be required to comply with new ones. Based upon this fact, USDA recommended to OCNS that this series of outreach workshops be cancelled.

Realizing that some of the original outreach plans would not be met, the OCNS capitalized on using the Field Services Section staff and the Office of Child Development staff to help disseminate CCFP information by integrating this dissemination into their activities. Coordinating this integration will continue to be strengthened.

In planning outreach activities, it is important to be able to meet the inquiries and program service demands of potential sponsors. With the limited staff already overburdened by ongoing workload, the question needs to be raised, "Is it fair to entice potential sponsors into applying for the program knowing full well their needs could not be readily met?" Determining this was not fair, OCNS decided to conduct

minimal outreach efforts until such time new regulations are developed and implemented and additional staff become available. One additional factor leading to the Office's decision on outreach is that USDA informed all state agencies of its intent to carry out extensive outreach activities.

3. TECHNICAL ASSISTANCE

During FY 78-79, the OCNS identified the need to provide more comprehensive monitoring and technical assistance to all its child nutrition program sponsors totalling over 2,300. The Office further identified the need to develop techniques for offering assistance which could meet the wide spectrum of management capabilities of all its sponsors. In the CCFP, many of these sponsors need basic management techniques along with program information. In addition, the turn-over rate of CCFP sponsors' staff is high which results in constant retraining.

Based upon these identified needs, the OCNS developed and implemented two activities:

1. A reorganization of the Office to maximize staff resources, which has been previously discussed, and
2. A new program review document to be used for monitoring and technical assistance purposes.

Both of these activities, which became operational during September 1979, will result in more comprehensive services to sponsors.

The Field Services Section is responsible for providing technical assistance and monitoring program compliance. The program review document is developed to accommodate both elements of the Field Services' responsibilities. In addition, all sponsors, including CCFP, have been divided into a three-year cycle for review, which is the OCNS' goal as stated in the 1979-80 State Plan.

The Field Services Section is comprised of 24 field staff (Child Nutrition Consultants and Analysts), three regional managers, and one section manager. While the OCNS increased the number of field staff in the reorganization, it is important to note that this number is still inadequate to meet the demands. Currently, the ratio of field staff to all sponsors is 1 to 97. Taking into account the tremendous amount of technical assistance needed by CCFP sponsors, it is apparent that this overall ratio of 1 to 97 is insufficient to meet their needs as well as the needs of other child nutrition sponsors.

During the period of January 1979 to December 1979, the Field Services Section made a total of 294 reviews and/or visits to CCFP sponsors. This number resulted in providing monitoring/technical assistance reviews to approximately one-half of the 479 CCFP sponsors, which clearly exceeds the Office's goal of one-third reviewed per year.

During the fall of 1979, field staff developed a "mini-technical assistance" package for CCFP sponsors. Utilizing this package, field staff and program staff can instruct sponsors in a simple, clear and direct manner on all facets of the CCFP. The package includes recordkeeping requirements, claim reporting requirements, nutritional and meal record requirements and audit requirements. The Field Services Section staff and CCFP staff have been trained on how to present this package to CCFP sponsors.

In addition to the technical assistance provided by the Field Services Section, the CCFP staff also provides technical assistance to sponsors. They generally provide this assistance to sponsors through telephone conversations, workshops and occasional field visits.

Currently, both field staff and program staff are providing technical assistance to CCFP sponsors and will continue to do so. During February 1980, the CCFP staff is conducting workshops for sponsors on recent policy changes, recordkeeping, claiming and meal requirements, and Food Service Equipment Assistance Program requirements. At these workshops, the "mini-technical assistance" package is being introduced. Following this series of workshops, the field services staff will invite a small group of CCFP sponsors within a given area together and go more into depth in instructing sponsors in the use of this package.

Lastly, since CCFP sponsors for the first time are being audited, the OCNS is compiling a list of audit exceptions and is instructing field staff to give particular attention to these areas when working with CCFP sponsors.

The OCNS is committed to providing service to sponsors as stated in its goals. Thus, the Office is continually striving to provide this comprehensive service and will continue to develop techniques, systems, and strategies to meet these goals.

4. COORDINATION BETWEEN FIELD SERVICES SECTION AND CHILD CARE FOOD PROGRAM

Once again, it is important to state that the reorganization structure for OCNS went into effect July 1, 1979. During July and August, the various sections and units were planning and designing their procedures and methods for operating. In the middle of September, they became operational. The fall months were devoted to working out snags, modifying procedures, or developing new ones when a need demanded it.

Process and procedures are in constant review and altered when necessary. Any new system takes a period of time before it becomes a thoroughly smooth and coordinated operation. The Auditor General's staff conducted its review during this period of transition. Thus, staff could not relate to the successes of the new structure. The majority of the statements made by OCNS staff and sponsors reflect problems created under the prior organization structure. It was for these various reasons and needs, that the OCNS went into its current organization. It is management's goals to have a thoroughly coordinated system by the end of this fiscal year.

5. DISSEMINATION OF POLICY INFORMATION AND SPONSORS' HANDBOOK

The OCNS agrees that a policy sponsor handbook is needed in the CCFP. It was an activity planned during the 1978-79 fiscal year. However, in November 1978 Public Law 95-627 was passed which completely revamped the CCFP. The Office was informed by USDA that administering regulations would be forthcoming shortly. In actuality, it took 18 months before they were finalized by USDA.

Upon passage of the law, the OCNS made the decision to postpone the development of the policy handbook until the new regulations were released. It was decided to continue using the existing methods of disseminating policy information. According to GAO's findings, policy information was available to sponsors.

Knowing the workload of the cycle application process and other activities, it did not seem sensible to devote the amount of staff time needed to develop a handbook when, in fact, upon release of the new regulations, the policy handbook would be immediately outdated.

Now that the regulations are a reality, the OCNS has entered into a contract for a writer to develop such a handbook. A review team, consisting of sponsors, advocates, Office of Child Development staff and CCFP staff, will be involved in the development of the handbook. The goal is to have this completed by October 1, 1980.

6. STAFFING NEEDS

In the introduction, the issue of staffing was addressed. The need for more CCFP staff and field staff is well documented, but due to funding limitations and personnel freezes the OCNS is not able to provide sufficient staff.

In the Auditor General's Report, it stated a USDA evaluation which indicated CCFP was adequately staffed with the exception of clerical support. In analyzing USDA's evaluation report, discrepancies pertaining to staffing were noted. In one section of the evaluation, they indicated staff was not sufficient. Furthermore, USDA did not conduct an extensive workload analysis (nor did the Auditor General's staff).

The Auditor General's Report indicated additional clerical support is needed. Even if funds were available to add positions, it has been extremely difficult to hire clerical staff following Proposition 13 and the statewide freeze on personnel. Only recently have waivers been granted to hire clerical staff from outside State Service. Even with these waivers it is still extremely difficult to fill any existing clerical vacancies, especially stenographic positions. When so many of the identified issues revolve around the lack of staff, it would have been more helpful if the Report strongly identified this need and offered genuine recommendations for increasing staff size.

II. *Recommendations Identified in Auditor General's Report*

1. Recommendation: The Department of Education immediately eliminate the backlog of applications and change requests for the Child Care Food Program.

Response: As stated in the Audit Report, the backlog was essentially corrected by December 31, 1979. However, additional staff must be provided to prevent recurrence.

2. Recommendation: Immediately announce to sponsors and field staff new procedures regarding change requests.

Response: This has been done. Workshops are currently being conducted on a statewide basis for this purpose.

3. Recommendation: Simplify application and change requests review procedures in accordance with USDA recommendations.

Response: This was completed in December 1979.

4. Recommendation: Provide adequate technical assistance to current and potential sponsors with incorrect and incomplete applications and change requests.

Response: Within limitation of existing staff, this is implemented and on-going.

5. Recommendation: Assure sufficient clerical support to the Child Care Food Program Unit.

Response: This assurance cannot be given unless funds are provided for additional personnel and hiring authority is granted.

6. Recommendation: Immediately develop an outreach plan to implement the new federal regulations and ensure maximum participation in the Child Care Food Program.

Response: The Plan is in process and will be implemented to the extent staff is available.

7. Recommendation: Work with state and county child care licensing agencies to assure that all applicants for child care centers and family day care homes receive information on current sponsors and their locations.

Response: This recommendation is, in our judgment, not valid in that it imposes a cumbersome and unworkable communication system on the Office of Child Nutrition Services. The Office of Child Nutrition Services accepts the spirit of the recommendation and will establish a system whereby applicants can be provided information on current sponsors and their location.

8. Recommendation: Submit a plan to the legislature detailing actions to be taken to comply with the new federal regulations. Also, identify specific staffing and other resources needed to implement these regulations.

Response: The Department is currently assessing staffing needs for compliance with new regulations and will transmit this information, along with a request for additional positions, to both USDA and the State Department of Finance. This report will also be available for transmittal to the Legislature if necessary.

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Thomas W. Hayes
February 20, 1980

9. Recommendation: The Department of Education develop and disseminate a policy manual which would provide routine technical assistance to Child Care Food Program sponsors and applicants. The Department should solicit comments from sponsors in developing these policies and procedures.

Response: Federal Regulations, which provide basis for the manual were issued by USDA on January 22, 1980. This recommendation is now in process. A professional writer has been contracted. A review team composed of sponsors and staff has been selected.

10. Recommendation: Increase onsite technical assistance to sponsors and providers, especially to new sponsors and providers and family day care home operations.

Response: Within limitation of existing staff, this is implemented and on-going.


11. Recommendation: Convene forums regularly between responsible Office of Child Nutrition Services staff, sponsors and providers to ensure the sharing of technical expertise.

Response: The Department staff is already extensively involved in forums and other in-put strategies. We will consider this recommendation to expand involvement.

12. Recommendation: Increase coordination between the Child Care Food Program and the Office of Field Service.

Response: This is implemented and on-going.

Sincerely,



William D. Whiteneck
Deputy Superintendent for Administration
916-445-8950

WDS:ms

AUDITOR GENERAL'S COMMENTS CONCERNING
DEPARTMENT OF EDUCATION'S RESPONSE

We normally do not comment on agency responses to our audit reports. However, in this instance, we find it necessary to comment on the Department of Education's response to provide perspective and clarity.

At the outset, it should be noted that the Department of Education's response does not address the major issues of our report or its recommendations. Children eligible for the Child Care Food Program are not being served and sponsors are not provided with technical assistance or policy and guidance materials sufficient to meet their needs.

The department states that our report reinforces the goals and objectives already identified in its state plan and does not provide recommendations for resolving the staffing problem. As noted in the Introduction of the report, we used the state plan to measure the department's accomplishments and found that the department was unsuccessful in meeting many of its goals and objectives. It is the department's responsibility to either request additional staff or reassign staff to meet workload priorities.

Additionally, the department's response states that our report does not give adequate recognition to the actions taken by the department to strengthen program administration. The department contends that the recent reorganization will correct many of the issues identified in the report. The reorganization could potentially reduce some of the deficiencies noted, but as the department indicates, the reorganization did not become operational until September of 1979. Since our fieldwork was completed in December of 1979, we felt that it was too early to evaluate the effectiveness of the reorganization. However, the report does note actions taken by the department to correct administrative deficiencies. (See our report pages 2, 5, 13, 17, 25, 30, 35 and 36.)

The department also charges that the report reflects only field responses to negative questions posed by the audit staff. We used a standardized questionnaire to interview CCFP sponsors and providers. Examples of the questions used follow:

- Has the State Department of Education (SDE) provided any outreach information?

- How did you learn about the CCFP?
- Does SDE provide technical assistance?
- Has SDE provided operating guidelines?
- Have you or your site supervisors attended any workshops or training sponsored by SDE?

The department also states that it is difficult to accept most of our recommendations as realistic. Later in its response, however, the department asserts that it has already taken action to implement 10 of our 12 recommendations.

The following comments address our concerns over specific issues raised in the department's response to the report. Our comments and conclusions are based on data obtained from the department, the U.S. Department of Agriculture (USDA), federal auditors, and CCFP sponsors and providers. Our comments reference pages in the department's response.

Program Growth and Outreach (Response Pages 1-2)

The department charges that the report fails to adequately recognize its efforts to respond to program needs and to expand outreach capabilities. As proof of its commitment to the CCFP, the department cites a USDA management evaluation (November 1979) which states "the Child Care Food Program in California has grown enormously in the past several years (310 sponsors in Fiscal Year (FY) 1977 to almost 500 by the end of FY 1979)."

The full quotation from the USDA report states:

The CCF program in California has grown enormously in the past several years (310 sponsors in FY 77 to almost 500 by the end of FY 79), but growth has been achieved primarily through word-of-mouth and has been concentrated in a few areas of the State. (Emphasis added.)

The department also takes exception with our conclusion that it has conducted limited outreach activities to increase CCFP participation. Yet, in its response (pages 6-7) the department admits that ". . . OCNS decided to conduct minimal outreach efforts until such time [sic] new regulations are developed and implemented and additional staff become available." The department's admission is consistent with the conclusion of our report.

Technical Assistance
and Policy Guidance (Response Pages 2, 7-9)

The report states that the technical assistance and policy information which the department has provided to sponsors has been insufficient to meet sponsor needs and that as a result sponsors are constrained from effectively managing their programs. Our conclusions are based on interviews with over 60 CCFP sponsors and providers and on reviews of sponsor applications and claims.

The department asserts that our report fails to define sufficient technical assistance. Yet, the report specifically addresses the lack of a written policy manual, infrequent and inadequate workshops, and inconsistent application of policy. The department's own state plan stated OCNS would provide sponsors with workshops, resource materials and guidelines, and training necessary to assure effective program management.

The department responds that our report does not give sufficient credit for its efforts in providing technical assistance. However, later in its response the department acknowledges that

Taking into account the tremendous amount of technical assistance needed by CCFP sponsors, it is apparent that this overall ratio of 1 to 97 (field staff to sponsors) is insufficient to meet their (sponsors') needs . . .

The department further attempts to discredit our conclusions by asserting that a federal audit agency conducted a review during the same time as our audit and reported in its exit conference that sponsors had been provided adequate and accurate information.

However, the federal auditors gave us a copy of their exit conference outline which states:

Fifteen of the 22 sponsors we visited told us the policy guidance, monitoring and assistance provided by the Child Nutrition Services Bureau was not adequate to meet their respective needs. For example, one director told us she needs more input and guidance from the state consultant. She also told us the CNC only comes when a specific question is asked. Another sponsor told us the CNC was inept and her explanations and guidance were very poor.

Backlog of Applications
and Change Requests (Response Pages 2, 4-5)

Our report cites the number of applications and change requests pending at OCNS as of November 30 and December 31, 1979. The department charges that it was inappropriate for us to report backlog statistics as of two separate dates. We had completed our review of applications and change requests by November 30 and intended to report backlog statistics as of that date. Department staff, however, told us that the backlog would be eliminated by December 31 and asked us to update our statistics to this date. We cited the backlog statistics as of both November 30 and December 31 in an attempt to show the department's progress in reducing the backlog.

The department also claims that the report states that the backlog has been "significantly reduced." This is not true. The report states that from November 30 to December 31, 1979 the backlog of applications had been reduced from 76 to 64 and the backlog of change requests had been reduced from 257 to 61. We do not consider a reduction of 12 applications from November 30 to December 31 as significant. Neither do we report that the reduction in the number of change requests is significant since many (38 percent in our sample) were merely returned to the sponsors with no additional processing.

We are concerned over the backlog of applications and change requests because the ultimate result is that children eligible for the program are not being served. During the month of December 1979, the department processed only 12 of the 76 pending applications. Yet, as cited in our report, applications from new sponsors cannot be reimbursed retroactively. Consequently, either these sponsors and providers will not be reimbursed for the services they are providing or the children are not being served.

Staffing (Response Pages 3 and 10)

In its response, the department attempts to justify a number of its administrative deficiencies by claiming insufficient staffing. The department acknowledges, however, that these staff shortages have existed for some time. It is the department's responsibility to either request additional staff or reassign staff to meet workload priorities if staff shortages prohibit effective program management.

In February 1978 the department prepared an "Organizational and Staffing Analysis of the Bureau of Child Nutrition Services" (now OCNS). The analysis stated that one program representative and four analysts were required to perform the operations of the CCFP unit. In November of 1978, this staffing analysis was updated, but additional staff for the CCFP unit were not requested. This updated staffing analysis was the basis for the July 1, 1979 OCNS reorganization. The analysis was based on a CCFP participation level of 450 sponsors; as of the time of our audit, 479 sponsors were participating in the CCFP. In our opinion, an increase of 29 sponsors would not result in staffing shortages to the extent the department suggests in its response.

cc: Members of the Legislature
Office of the Governor
Office of the Lieutenant Governor
Secretary of State
State Controller
State Treasurer
Legislative Analyst
Director of Finance
Assembly Office of Research
Senate Office of Research
Assembly Majority/Minority Consultants
Senate Majority/Minority Consultants
California State Department Heads
Capitol Press Corps